



Department of Justice

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FORMER OWNERS OF BUDDY'S CARPET INDICTED WITH OTHERS IN TAX FRAUD CONSPIRACY

CINCINNATI - A federal grand jury here has returned a seven-count indictment charging the two former owners of Buddy's Carpet, Leif D. Rozin, of Bonita Springs, Florida, and Burton B. Kallick, of Cincinnati, Ohio, along with others with conspiracy to commit tax fraud, filing false income tax returns, and tax evasion.

Indicted along with Rozin and Kallick were the former in-house counsel to Buddy's Carpet, Alan W. Koehler, now of Purcellville, Virginia, their investment and insurance advisor, Milton Liss, of Cincinnati, and unlicensed financial and insurance salesman Bruce M. Cohen, of Louisville, Kentucky. The charges relate to an insurance scheme designed to help Rozin and Kallick evade their individual income taxes.

Eileen J. O'Connor, Assistant Attorney General for the Justice Department's Tax Division, Gregory G. Lockhart, United States Attorney for the Southern District of Ohio, and Cromwell A. Handy, Special Agent in Charge, Internal Revenue Service Criminal Investigation, Cincinnati, announced the indictment returned today.

Buddy's Carpet is a retail chain with approximately 35 stores in Ohio, Kentucky and Indiana. The indictment charges that beginning in April, 1998, Rozin and Kallick conspired with Alan W. Koehler, Milton Liss, and Bruce M. Cohen and others to defraud the United States by having Rozin, Inc., an S corporation doing business as Buddy's Carpet, purchase several sham "Loss of Income" insurance policies from an insurance company in the U.S. Virgin Islands.

The indictment charges that during the 14 months before Rozin and Kallick sold Buddy's Carpet in January 2000, they had their company spend a total of \$3.6 million on eight separate "Loss of Income" insurance policies. The indictment charges that the purpose of purchasing these "Loss of Income" insurance policies was to provide substantial tax deductions to the company, and thus also to reduce the personal income reported on the individual income tax returns of Rozin and Kallick as owners.

The indictment alleges that these insurance policies were a "sham" in part because Rozin and Kallick were given back almost immediately and/or maintained control over approximately 81 percent of the premiums that they paid for these policies. The indictment also alleges that Rozin, Kallick, Koehler, Cohen and Liss concealed their ownership of this money by using offshore nominee entities and agents in countries with strict bank secrecy laws. According to the indictment, the conspiracy continued into November 2002.

According to the indictment, Rozin and Kallick purchased the first set of these "Loss of Income" insurance policies in October of 1998 for \$1,275,787 by traveling down to the Virgin

Islands with a cashiers check for that amount. The "Loss of Income" insurance purportedly would provide the company that Rozin and Kallick owned with benefits if Rozin's and Kallick's employment with their own company was terminated involuntarily, for a reason other than death or disability.

The indictment further alleges that Rozin and Kallick were at that time engaged in efforts to sell Buddy's Carpet in 1999. In anticipation of that 1999 sale, the indictment alleges that Rozin and Kallick paid Milton Liss \$625,000 to buy another tax shelter product called "Basis Boost," which was designed to reduce the taxes owed by Rozin and Kallick when they sold their business by creating an artificial loss that they could report. However, Rozin and Kallick backed out of the deal to sell in 1999, and the indictment alleges that they then agreed with Koehler, Liss, and Cohen to use the \$625,000 instead in August 1999 to buy more "Loss of Income" insurance policies.

The indictment alleges that the defendants created backdated documents to make it appear that the \$625,000 expense occurred in 1998, and that Rozin and Kallick then deducted that amount on the 1998 corporate tax return filed that month. Leif D. Rozin signed that 1998 corporate return and is charged with filing a false tax return. In addition, Buddy B. Kallick, Alan W. Koehler, Bruce M. Cohen and Milton Liss are charged with aiding and assisting in the filing of that false 1998 corporate tax return.

Further, the indictment alleges that just two weeks before Rozin and Kallick sold Buddy's Carpet to new owners, they spent another \$1.7 million on two more "Loss of Income" insurance policies, and received back over \$1.3 million several days later. According to the indictment, Rozin, Kallick, Koehler, Liss, and Cohen again created backdated documents to deceive the IRS about when the purchase took place, and in order to make it appear that it happened much earlier in 1999 so that the planned deduction for the 1999 corporate tax return would be allowed. That return ultimately was not filed by Rozin and Kallick because, according to the indictment, they discovered that the IRS was investigating their conduct. Rozin, Inc. owners Leif D. Rozin and Burton B. Kallick have also been charged with income tax evasion for their actions. Alan W. Koehler, Bruce M. Cohen, and Milton Liss have also been charged with aiding and assisting in the filing of Rozin and Kallick's false personal income tax returns in 1998.

Finally, the indictment charges that Kallick and Rozin received a share of the commissions earned by the sellers from their purchases of the "Loss of Income" insurance policies as well as the other tax shelter products, such as "basis boost," and that Kallick and Rozin participated with their coconspirators in the promotion and marketing of "Loss of Income" insurance policies and "basis boost" to others in exchange for a share of the commissions.

Bruce M. Cohen is presently under indictment and awaiting a separate trial in the Southern District of Ohio for his actions in conspiring to sell "Loss of Income" insurance policies to another entity, as well as aiding and assisting in the filing of false income tax returns.

Conspiracy to impede the IRS, and attempted tax evasion each carries a maximum punishment of five years imprisonment and a fine of up to \$250,000. Subscribing a false tax return and aiding in the preparation and filing of a false income tax return each carries a maximum punishment of three years imprisonment and a fine of up to \$250,000.

O'Connor and Lockhart commended the investigative efforts of the IRS agents in the case, as well as Department of Justice Tax Attorneys Richard Rolwing and Susanne E. Sachsman who are trying the case.

An indictment is only a charge and is not evidence of guilt. The defendants are entitled to a fair trial in which it will be the government's burden to prove guilt beyond a reasonable doubt. Additional information about the Justice Department's Tax Division and its enforcement efforts may be found at <http://www.usdoj.gov/tax>

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